

## Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

*courage is contagious*

## Viewing cable 09NICOSIA315, CYPRUS: COURT DECISION IMPACT ON ECONOMY AND

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags #cablegate and a hash containing the reference ID e.g. #**09NICOSIA315**.

Reference ID	Created	Released	Classification	Origin
<a href="#">09NICOSIA315</a>	2009-05-13 10:09	2011-08-30 01:44	<a href="#">CONFIDENTIAL</a>	Embassy Nicosia

Appears in these articles:

<http://www.tanea.gr>

VZCZCXRO3089  
PP RUEHAG RUEHROV RUEHSR  
DE RUEHNC #0315/01 1331009  
ZNY CCCCC ZZH  
P 131009Z MAY 09  
FM AMEMBASSY NICOSIA  
TO RUEHC/SECSTATE WASHDC PRIORITY 9851  
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY  
RUEHAK/AMEMBASSY ANKARA PRIORITY 5465  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 03 NICOSIA 000315

SIPDIS

TREASURY FOR OFFICE OF EAST EUROPE

E.O. 12958: DECL: 05/13/2019

TAGS: [ECON](#) [EFIN](#) [PREL](#) [CY](#)

SUBJECT: CYPRUS: COURT DECISION IMPACT ON ECONOMY AND  
PUBLIC OPINION

REF: A. NICOSIA 305  
    B. NICOSIA 301

Classified By: AMB F URBANCIC FOR REASONS 1.5 B AND D

¶11. (C) The decision by the European Court of Justice (ECJ) requiring other EU member-states to enforce rulings made by Republic of Cyprus (RoC) courts in regard to property in the part of Cyprus under Turkish Cypriot (TC) administration is having a profound impact on economic confidence in north Cyprus, and on public attitudes towards reunification on both sides. More people in both communities feel their points of view (either, "our property rights can't be negotiated away" or "the EU is under the control of the anti-Turkish grouping , so TCs can never expect fairness from Greek Cypriots (GCs) or the EU") are vindicated by the decision. Any future compromises by Christofias on property will be taken by many GCs as betrayal of the principles suggested by the ECJ decision. For Talat, the Orams ruling has reduced his negotiating leverage and increased the already high level of suspicion of the EU among TCs . To reestablish positive momentum, the leaders agreed at their last meeting to speed up the pace of the negotiations, but the degree of difficulty in achieving success has increased substantially with the Orams verdict. End Summary.

Turkish Cypriots See ECJ Decision as Greek Cypriot Plot

-----

¶12. (C) "How can we make any new investments here until we understand how the Orams ruling will play out?" a leading TC businessman asked us on May 7. He then sought our opinion about a complicated scheme for hiding his UK and TC assets. While some in the TC business community play down the long-term economic fallout from this case, they are all uniformly angry that the ruling was made at this time. None believes it is simply a court decision based on principle but insist that it is part of a long-planned political maneuver by the RoC to gain advantage in the reunification talks. They point to the alleged ability of the court to have delayed a decision on "public policy" grounds and the fact that the president of the court was a Greek judge as evidence that, on Cyprus and Turkey policy, the EU is controlled by an anti-Turk grouping led by Cyprus and Greece.

Who has the Land?

-----

¶13. (C) Under a point system established in 1975 which gave credit for factors such as whether individuals were refugees from the RoC-controlled area, fought with the TC military, or had family members killed by GCs, GC-owned land in the north was redistributed to TCs based on how many points people could claim-the more points, the more property. In return, TC individuals with property in the south ceded any right to these properties to the "TRNC." With about 85 percent of land in north Cyprus originally owned by GCs, and a building boom which followed the failure of the 2004 Annan Plan, considerable economic activity has taken place on disputed property. As chief TC negotiator Nami told us on May 5, "How can he (Christofias) expect us to use less than 20 percent of the land? We need to have an economy here too."

Bank Risk and the Worsening TC Economy

-----

¶14. (C) Banks in north Cyprus typically lend very conservatively to developers working on GC-titled land. Loans are usually for no more than 50 percent of the value of the collateral and with maturities of less than 5 years. As a result, banks in the north have loan to deposit ratios of only 5 to 45 percent. The "Governor" of the "Central Bank" told us that, for this reason, banks he supervises will not face financial harm because of Orams. Nevertheless, he did not know how much collateral is outstanding on GC land and said he is undertaking a study of the issue. Others are not so sanguine. One commercial banker said that "some banks have been more aggressive" and that it is possible that some mortgage-holders will simply stop making payments on the theory that they may lose the property in any case to the original GC owner. This is made worse because so much new development was aimed at the foreign (typically UK) holiday/retirement home market and these buyers are no longer

likely to take new risks buying property in north Cyprus. The UK High Commission web site points out to would be property-buyers in the north that such purchases are a criminal offense under GC law with a maximum sentence of seven years imprisonment.

¶ 15. (C) Real estate brokers in north Cyprus say there has not been panic selling, but at least in part because there are so few buyers. TC -titled property before Orams typically carried a 10-20 percent premium over GC-owned properties. That spread is expected to go up significantly, but no data is yet available. Brokers say some Russian, Israeli and Turkish Cypriot investment groups are being formed to buy from desperate sellers at rock-bottom prices (presumably because they have no assets in the EU and therefore are beyond the reach of the ECJ decision), but the market has not yet adjusted. In any case, the important TC construction sector, which was already moribund in the wake of overbuilding, now has even less likelihood of improving without an overall settlement of the island's division. Orams exacerbates an 18 month economic slide that has seen auto sales decline 70 percent this year compared to last, imports reduced by 60 percent, and tax receipts well below projections, requiring the recently-elected "TRNC government" to seek yet another loan from Turkey to close a USD55 million budget gap for the month of May.

#### The Public Opinion Problem

---

¶ 16. (SBU) Public opinion among TCs, whose skepticism about reunification was reflected in the election of two-state advocate Dervis Eroglu as "Prime Minister" in April, took a further hit with the Orams ruling. Pro settlement columnist Ipek Ozerim writes "my anger started to boil over at the biased EU, the ineptness of the TCs, and at the under-handed GCs. The property problems on the island are rooted in a political conflict and only a comprehensive solution can solve them. The talks between Christofias and Talat offered the best chance for this. Instead, the south went for one-upmanship. In doing so, Cyprus was mortally wounded. I'm not sure how the talks can continue. The days of trust and good will are over. It's now every side for itself." At the May 8 Europe Day event sponsored by the Turkish Cypriot Chamber of Commerce, only one politician and barely a dozen businesspeople showed up as TCs did not want to demonstrate any support for the EU in Orams' wake. For many TCs, the Orams decision establishes GC court writ over the TC north, calling into question the meaning of "bi-zonality" that is a basis for the negotiations. Septel will examine the history of this concept in Cyprus and how it is perceived by the two sides.

¶ 17. (SBU) Among GCs, the general attitude regarding the case is one of vindication and satisfaction that "those who tried to buy our stolen land" will be punished. There is also growing opportunism. GC lawyers are now reportedly working with their UK colleagues, searching through UK property records, looking for a list of Britons who are known to own properties in north Cyprus, or for Turkish-sounding names and then checking records here to see if they own land in north Cyprus. Several GC lawyers have told us that they plan to offer GC property owners contingency deals in return for 20-30 percent of the value recovered. One lawyer explained that the issue they will be arguing is "illegal trespass" and seeking back rent. GCs originally from the north who had never before considered legal action are now musing the possibility. This includes one of the richest men on the island, who told the Ambassador last week that he sees no reason not to receive compensation for the land he owns in the north.

¶ 18. (SBU) Christofias' flexibility in trading property for TC political power is more constrained than it was before Orams. As one hard-line journalist wrote; "All we have to do is to make clear to our government that it has no mandate to bring

before the people a solution compromising the rights won by Orams plaintiff Meletis Apostolides at the European Court." A former GC judge of the European Court of Human Rights said "when (UN Special Representative) Downer says that 'both sides believe they are right and that we should compromise because we cannot have everything,' he is in effect saying that Turkey may be right in wanting to institutionalize the relevant violations of the principles which the UN envoy is expected to support, that we should compromise our human rights and accept the Turkish crimes against humanity."

¶9. (C) Comment: The Orams decision has complicated the dynamics of the reunification process. TCs believe it was a plot to gain an unfair advantage in the talks and served to kick them while they were already down economically - "proof" that GCs cannot be trusted to negotiate in good faith. A sense of continuous betrayal by the EU- starting with the failure to open direct trade in return for voting in favor of the Annan Plan and proceeding to the many restrictions the EU has allowed the GCs to place on spending the Euro 259 million assistance program for the north - has caused even pro-solution types to reject the EU as a biased entity.

¶10. (C) Comment continued: Many GCs have long believed that once they agreed to a bi-zonal, bi-communal federation (in 1977), they were done compromising. While Orams will not get GCs their property back, it might make the pain of waiting more acceptable by extracting rent from those who "illegally occupy our land." To reverse the negative momentum of the decision, the leaders in their last meeting agreed to "intensify" the pace of the talks. However, polls tell us that the core of GC "yes" voters for the Annan Plan were refugees from the northern Cyprus. This core may be less willing to vote "yes" again if they can monetize their assets in the north via Orams . Property for governance and security was and is the basic deal that has to be struck between the two communities. One leg of this deal has now been whittled down, at least in the eyes of many Cypriots on both sides.

Urbancic